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436

PAGE 01 TRIPOL 07132 080749Z

10

ACTION AF-18

INFO OCT-01 EUR-20 NEA-10 ADP-00 ER-11 COME-00 INT-08
OFP-01 PM-08 NSC-10 SS-14 RSC-01 L-03 H-02 TRSE-00
CIEP-02 OPIC-12 OMB-01 CIAE-00 DODE-00 INR-09 NSAE-00
P-03 USIA-12 PRS-01 RSR-01 /148 W

023240

R 051516Z FEB 73
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9644
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN

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DEPT PASS CAIRO

SURJ: SENIOR OIL COMPANY EXECUTIVES' VIEWS ON
PARTICIPATION NEGOTIATIONS

REF: TRIPOLI 0117 NOTAL

SUMMARY. IN BRIEFING CHARGE ON CURRENT STATE OF LARG-
OASIS PARTICIPATION NEGOTIATIONS, TWO VISITING SENIOR
OIL COMPANY OFFICIALS HAVE EXPRESSED CAUTIOUS OPTIMISM
REGARDING OUTCOME BUT NOTE AT MOMENT LARG AND COMPANIES
ARE FAR APART ON KEY ISSUES. REBOUND EFFECT OF ADVERSE
SETTLEMENT HERE ON GULF AGREEMENTS CLEARLY ON THEIR
MINDS, AS ARE SHAH'S LATEST DEMANDS. END SUMMARY.

CHARGE AND ECONOFF FEBRUARY 2, FOLLOWED BY

CALLER ON

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PAGE 02 TRIPOL 0713Z 080749Z

[REDACTED] FEBRUARY 5.

[REDACTED] SAID THAT ONE OF HIS MAJOR IMMEDIATE AIMS IS TO SHOW [REDACTED] INTER-RELATEDNESS OF PARTICIPATION PERCENTAGE AND FORMULA FOR BUY-BACK OF CRUDE. [REDACTED] POINTED OUT THAT IN GULF THESE TWO ELEMENTS INTERACT TO PRODUCE 11 CENT INCREASE ACROSS LOE BOARD PER BARREL. GIVEN HIGHER PARTICIPATION PERCENTAGE AND LESS ADVANTAGEOUS BUY-BACK FORMULA, PROPOSED BY LAR, COST HERE WOULD RISE TO THREE TIMES GULF FIGURE.

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3. [REDACTED] STRESSED RELATIONSHIP BETWEEN THESE TWO KEY ELEMENTS AND NEED FOR LARG TO AMELIORATE THEIR IMPACT. HE IS ALSO CONCERNED THAT PAYMENTS TO BUY OUT 50 PERCENT OF COMPANIES' EQUITY WOULD YIELD (PERHAPS ONE OR TWO YEARS, AS IN GULF), WHICH COMPANIES COULD ACCEPT. [REDACTED] SAID THAT LIBYANS APPARENTLY ATTEMPTING ADOPT A101 FORMULA FOR COMPENSATION. LIBYANS HAVE INDICATED THEY MAY BE WILLING TO PAY NET BOOK VALUE ON FIXED ASSETS PLUS APPROXIMATELY 7.5 PERCENT ALLOWANCE FOR MONEY RISKED ON EXPLORATION. THIS LATTER AUGMENTATION WOULD INCREASE TOTAL COMPENSATION BY SOME \$24 MILLION IN THE CASE OF OASIS, STILL WELL BELOW WHAT COMPANY FEELS IT CAN ACCEPT.

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4. BOTH EXECUTIVES FOUND REASSURANCE IN FACT LARG NEGOTIATORS FROM JALLUD ON DOWN HAVE BEEN CALM AND BUSINESSLIKE, BUT THEY ARE CONCERNED ABOUT HOW THEY WILL ULTIMATELY NARROW WIDE GAP CURRENTLY EXISTING BETWEEN TWO PARTIES. GDS. JOSIF

NOTE BY OC/T: NOT PASSED CAIRO.

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